

# United States Senate

WASHINGTON, DC 20510

May 7, 2008

The Honorable Henry Paulson  
Secretary of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Dear Mr. Secretary,

We are writing to insist that you follow the law and release two reports on currency manipulation. The first is a report required by the Consolidated Appropriations Act of 2008 on which IMF members are manipulating their currencies to tilt the playing field in their favor. The second is the semi-annual report required by the Exchange Rates and International Economic Policy Coordination Act of 1988 ("Trade Act").

As you know, the IMF announced last June a new system to monitor the exchange rate policies of its member countries. The Treasury Department's report would provide vital information on the IMF's new surveillance system and IMF members' compliance with international trade rules. The Appropriations report, which was mandated within 120 days of the enactment of the Consolidated Appropriations Act of 2008, is already 13 days past the due date of April 24, 2008.

The last Trade Act report was due on October 15, 2007, but was not released until December 19, 2007. We urge you to submit the next report by no later than the statutory deadline. Among other things, we expect that your report will conclude that the People's Republic of China meets the criteria for designation under Section 3004 of the Trade Act, and we note that the 1988 Trade Act contains no exceptions for political, foreign policy, or strategic considerations, such as improvement compared to prior reporting periods.

Unfortunately, the failure to produce these reports on time sends a signal to American manufacturers and workers that our government fails to recognize the severity of their problems.

Middle-class America is suffering because other countries are manipulating exchange rates to increase net exports. Trade economists have concluded that China, for example, gives its firms up to a 40-percent subsidy by manipulating exchange rates to undervalue the renminbi. That means the same good, made with the same materials, will cost up to 40 percent less when made in China and sold in the United States, solely because of currency manipulation, and United States firms are effectively denied access to the Chinese market, because American goods appear more expensive and less competitive to Chinese consumers.

American manufacturers can compete with anyone in the world when they are given a level playing field. But when other countries subsidize their exports through unfair policies, American companies lose business and Americans lose jobs. As you know, we have co-sponsored two pieces of legislation, the Fair Currency Act of 2007 and the China Currency Manipulation Act of 2008. The first bill would set out consequences, including the possible imposition of countervailing duties, on products from countries with misaligned currencies. The second bill makes a Congressional finding that China is manipulating its currency.

U.S. manufacturers and workers deserve your support too. We urge you to address the problem of currency manipulation, beginning with the release of these reports, as mandated by law.

Sincerely,



Senator Debbie Stabenow



Senator Jim Bunning



Senator Evan Bayh